



FHA INFO #21-61

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FHA Establishes New, Streamlined COVID-19 Recovery Loss Mitigation Options

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2021-18, COVID-19 Recovery Loss Mitigation Options](#). This ML reinforces FHA's commitment to helping homeowners who have been financially impacted by the COVID-19 pandemic to remain in their homes with new, streamlined loss mitigation options. Read today's [Press Release](#).

This ML amends FHA's COVID-19 Loss Mitigation policies for borrowers with FHA-insured forward mortgages, as found in Section III.A.2.o., *Presidentially-Declared COVID-19 National Emergency*, of the *Single Family Housing Policy Handbook 4000.1* ([Handbook 4000.1](#)). It establishes the COVID-19 Recovery Loss Mitigation Options (COVID-19 Recovery Options) "waterfall" that streamlines and revises FHA's previous options for struggling homeowners, reduces documentation requirements, and provides greater payment reduction options for **eligible** homeowners with FHA-insured Single Family Title II forward mortgages.

The simple two-step waterfall options intended for properties that are occupied as the homeowner's primary residence are:

1. **COVID-19 Recovery Standalone Partial Claim:** for homeowners who **can** resume making their current monthly mortgage payments, the COVID-19 Recovery Standalone Partial Claim allows mortgage payment arrearages to be placed in a zero-interest subordinate lien against the property that is repaid when the mortgage terminates, usually when the homeowner refinances or sells the home.
2. **COVID-19 Recovery Modification:** for homeowners who **cannot** resume making their current monthly mortgage payments, the COVID-19 Recovery Modification extends the term of the mortgage to 360 months at a fixed rate and targets reducing the borrower's monthly principal and interest portion of their monthly mortgage payment. The COVID-19 Recovery Modification must include a Partial Claim if the homeowner has Partial Claim funds available.

For properties that are not occupied by the owner, mortgage servicers must offer **eligible** homeowners FHA's COVID-19 Recovery Non-Occupant Loan Modification, which extends the term of the mortgage to 360 months, or less if requested by the homeowner, at a fixed interest rate.

Mortgage servicers may begin offering the new COVID-19 Recovery Options as soon as operationally feasible; however, they must begin using the new options for **eligible**

homeowners within 90 days of the date of this ML. Today's ML does not impact previously announced effective dates for the COVID-19 Advance Loan Modification (COVID-19 ALM) in [ML 2021-15](#), dated June 25, 2021.

In addition, mortgage servicers must re-review homeowners for the new COVID-19 Recovery Options in circumstances where an existing home retention option has not been completed, where the homeowner was previously ineligible for a COVID-19 home retention option, or if the homeowner has re-defaulted after a COVID-19 home retention option.

FHA remains committed to helping homeowners with FHA-insured forward mortgages who are struggling financially due to the COVID-19 pandemic by continually assessing its policy guidance and making changes where possible. The new, streamlined COVID-19 Recovery Options announced today are another example of the measures FHA is taking to provide homeowners with needed relief. FHA strongly encourages its mortgage servicing partners and other stakeholders to thoroughly review this policy document.

Training Opportunity

FHA is currently developing an on-demand training webinar to help mortgage servicers and other stakeholders better understand the details of the new COVID-19 Recovery Loss Mitigation Options. The training provides mortgage servicers with information on how to implement options for homeowners with FHA-insured mortgages who need assistance to remain in their homes.

This new, self-paced training will be posted for viewing on the [FHA Servicing & Loss Mitigation Classroom and Webinar Training](#) page, and its availability will be communicated in a future FHA INFO.

Industry Webinar

On August 30, 2021, FHA will also post on the [FHA Servicing & Loss Mitigation Classroom and Webinar Training](#) page, an on-demand industry webinar that will provide more information about the COVID-19 Recovery Loss Mitigation Options. FHA will accept pre-submitted questions that will be addressed in this webinar.

Click [here](#) to submit questions for the COVID-19 Recovery Options Industry Webinar. All questions must be submitted not later than August 6, 2021.

Quick Links:

- Mortgagee Letters:
https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee
- HUD Press Releases:
<https://www.hud.gov/press>
- Online or PDF versions of Handbook 4000.1:
www.hud.gov/program_offices/administration/hudclips/handbooks/hsg
- FHA Servicing & Loss Mitigation Classroom and Webinar Training:
https://www.hud.gov/program_offices/housing/sfh/nsc/training
- Questions for COVID-19 Recovery Options Industry Webinar:
https://forms.office.com/Pages/ResponsePage.aspx?id=xSRVYekizUuokxGApT_HsqN_HtQKrOsVBt29-69MiwBIUOV05SU0zVkdASjNSWVIEQjhCSzFOVIFGOC4u

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- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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